

# **Reinvention of Government Bill Senate File 453**

Last Action:

**Senate Floor**

April 25, 2003

**An Act relating to state and local government financial and regulatory matters, making and reducing appropriations, providing a fee, and providing applicability and effective dates.**

**Executive Summary Only**



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## **LEGISLATIVE FISCAL BUREAU**

### **NOTES ON BILLS AND AMENDMENTS (NOBA)**

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**EXECUTIVE SUMMARY  
NOTES ON BILLS AND AMENDMENTS**

SENATE FILE 453

**SENATE FILE 453  
REINVENTION OF GOVERNMENT BILL**

**DIVISION I – PROPERTY TAX  
REPLACEMENT**

- Provides an estimated net savings of \$128.0 million from the General Fund for various components of changes to appropriations, State government expenditures, and local government actions. Also appropriates \$14.0 million from the Hospital Trust Fund for Medical Assistance in FY 2004.
- Repeals the portions of Chapters 405A and 427A, Code of Iowa, that provide for State payments to local governments for personal property tax and franchise tax replacement.
- Moves the termination of the State payment of industrial machinery, equipment, and computer tax replacement claims from June 30, 2006, to June 30, 2004, and appropriates \$10.1 million for FY 2004. Prohibits revaluation of industrial machinery, equipment, and computers to recover a shortfall in funding for FY 2004 replacement claims. Reporting requirements for industrial machinery, equipment, and computer tax replacement in tax increment finance areas are also terminated on June 30, 2004.
- Requires the Governor to order across-the-board reductions to offset the costs of increased appropriations created by line-item vetoes in Division I.

**Fiscal Impact:** The repealed portion of Chapter 405A, Code of Iowa, includes an FY 2004 standing appropriation of \$51.1 million, which was frozen in 1992, and \$8.0 million for the Franchise Tax Reimbursement. The appropriation for payment of industrial machinery, equipment, and computer tax replacement claims produces an anticipated savings of \$10.9 million. Total savings of \$70.0 million.

**DIVISION II – PARKING TICKETS**

- Permits a city ordinance to determine the amount of a parking violation fine. Permits the fine to be increased by \$5.00 when not paid within thirty days.

**Fiscal Impact:** The Bill would permit cities to increase parking violation fine revenue. It is unknown as to the number of cities that would enact ordinances to increase the fine.

**DIVISION III - LAW ENFORCEMENT  
ACADEMY TRAINING**

- Permits certain noncertified law enforcement officers to receive training at the Law Enforcement Academy if criteria are met and if the officer pays for the training. Specifies an 18-month limitation for employment to occur to obtain certification following the training.

**Fiscal Impact:** The Law Enforcement Academy may have additional training officer expenditures, which would be paid by the noncertified law enforcement officers receiving the training.

**DIVISION IV – BUDGET**

- Changes the budget appeal protest requirements for county budgets. A minimum of 100 people are necessary to file a protest.

**Fiscal Impact:** The county government savings from this chance has not been determined, but is anticipated to be minimal.

## EXECUTIVE SUMMARY NOTES ON BILLS AND AMENDMENTS

## SENATE FILE 453 REINVENTION OF GOVERNMENT BILL

### DIVISION V – INDEBTEDNESS REPORTING – COLLECTION OF TAXES

- Specifies every other year reporting requirements for municipalities for urban renewal areas. Requires the Department of Management and the Legislative Fiscal Bureau to prepare a reporting form.
- Specifies that a district court for small claims is the jurisdiction for action upon a claim filed by a county treasurer to collect delinquent taxes of \$5,000 or less.

**Fiscal Impact:** The local government savings and the county government revenues from these changes have not been determined.

### DIVISION VI – MUNICIPAL AND COUNTY INFRACTIONS

- Increases various civil penalties for violation of specified infractions of county and municipality ordinances.

**Fiscal Impact:** The local government revenues from these changes have not been determined.

### DIVISION VII – TRANSACTION FEE

- Requires a \$5.00 electronic transaction fee for transactions undertaken by a county recorder for each page of an instrument filed or recorded in addition to the \$5.00 per page fee already required for FY 2004. Of the \$5.00, \$4.00 remains with the county recorder and \$1.00 is transferred to the Treasurer of State for deposit into the Local Government Electronic Transaction Account for electronic access to local government records and information. The Account is repealed June 30, 2004.
- Requires a \$1.00 electronic transaction fee for transactions undertaken by a county recorder for each page of an instrument filed or recorded in addition to the \$5.00 per page fee already required for FY 2004. The fee remains with the county to pay for the ongoing cost of the electronic access to records.

**Fiscal Impact:** An estimated 890,000 transactions take place each year by county recorders, generating an additional estimated \$3.5 million annually for local government revenues and \$1.0 million for the Local Government Electronic Transaction Account for FY 2004. For FY 2005, counties would retain \$1.0 million.

### DIVISION VIII – LOCAL GOVERNMENT LEASES

- Permits a lease agreement between a city or county and a joint city-county authority under certain circumstances and exceptions from certain election requirements for the lease authorization.

**Fiscal Impact:** The local government savings from this change has not been determined.

## EXECUTIVE SUMMARY NOTES ON BILLS AND AMENDMENTS

## SENATE FILE 453 REINVENTION OF GOVERNMENT BILL

### DIVISION IX – LOCAL GOVERNMENT INNOVATION FUND

- Creates a Local Government Innovation Fund under the control of the Department of Management.
- Appropriates \$10.0 million from the General Fund for a Local Government Innovation Fund for loans to cities or counties for expenditures, which would result in cost savings, or additional revenue for a city, a county, or the State.
- Specifies criteria for the application and repayment provisions over a five-year period.

### DIVISION IX – LOCAL GOVERNMENT INNOVATION FUND (CONTINUED)

### DIVISION X – STUDY OF CITY AND COUNTY REGULATION BY THE DEPARTMENT OF NATURAL RESOURCES

- Creates a Local Government Innovation Fund Committee to review and approve the loan applications and determine the loan interest rate.
- Requires the Legislative Council to establish a study committee to review the policies of the Department of Natural Resources relating to regulation of cities and counties.
- Specifies options for the study committee to review and fine revenues and utilization.

### DIVISION XI – CHARGE FOR CAPITAL ASSETS

- Requires the Department of Management to charge all State agencies a fee for indirect costs associated with State ownership capital assets by State agencies in FY 2004. The Bill exempts the assets under the purview of the Department of Administrative Services and the Board of Regents.
- Requires the capital asset fees paid by State agencies to be deposited into the fund from which the moneys were originally appropriated. Prohibits the charges from all agencies from exceeding \$1.7 million.
- Requires the Legislative Council to authorize a study concerning policy options associated with charging all State agencies a capital asset fee. Requires the study to include recommendations and to be submitted to the General Assembly for consideration in 2004. Membership of the study committee is designated.

**Fiscal Impact:** The State General Fund is expected to receive the \$1.7 million provided under the capital asset requirement.

### APPROPRIATION REDUCTION FOR THE BOARD OF REGENTS

- Reduces the General Fund appropriations to the Regents universities by a total of \$17.9 million. The Bill requires the reduction to be applied as follows:
  - \$8.4 million (46.7% of the reduction) from the University of Iowa.
  - \$6.6 million (36.8% of the reduction) from Iowa State University.
  - \$2.6 million (16.5% of the reduction) from the University of Northern Iowa.

## EXECUTIVE SUMMARY NOTES ON BILLS AND AMENDMENTS

## SENATE FILE 453 REINVENTION OF GOVERNMENT BILL

### DIVISION XII – CHARTER AGENCIES

- Provides for up to five charter agencies, which would be five State departments or agencies that would be operated under a performance agreement in exchange for a 10.0% reduction in the FY 2004 appropriation made by the General Assembly. Grants charter agencies various exemptions from various administrative rule requirements for a five-year period. Permits charter agencies to retain proceeds from the sale or lease of capital assets under the agency's control.
- Prohibits the Department of Management and the Department of Administrative Services (if created) from being a charter agency.
- Exempts a charter agency from an across-the-board reduction by Executive Order for FY 2004 and FY 2005.
- Requires the Administrative Rules Review Committee to review the proposed exemptions from various requirements proposed by a charter agency that would impact other entities.
- Requires the charter agencies to issue an annual report by December 31 to the General Assembly regarding the agency's activities. Requires a report by the Governor to the General Assembly by January 2008.
- Repeals new Chapter 7J, Code of Iowa, creating charter agencies, on June 30, 2008.
- Creates a Charter Agency Loan Fund under the Department of Management for FY 2004 and appropriates \$3.0 million to the Fund from the General Fund.
- Permits a charter agency that collects more revenue than budgeted to retain the additional revenue to supplement the appropriation received.

**Fiscal Impact:** Public Strategies Group, the consultant retained by the Executive Branch, estimates that a 10.0% reduction in five average-sized agencies would save up to \$15.0 million on an annual basis. As an example, 10.0% of the total FY 2004 estimated appropriations for the Departments of Public Health, Inspections and Appeals, Agriculture and Land Stewardship, Education, and Secretary of State equals approximately \$30.0 million (10.0% of \$300.0 million).

### DIVISION XIII - STATE EMPLOYEE HEALTH INSURANCE COST INCENTIVES

- Permits the Department of Personnel or Department of Administrative Services to establish a health insurance incentive program for State employees to reduce health insurance costs.

**Fiscal Impact:** One-half of the savings from the health insurance incentive program would be returned to the State employees within the specific insurance program. Estimated savings from such an incentive program have not been determined.

## EXECUTIVE SUMMARY NOTES ON BILLS AND AMENDMENTS

## SENATE FILE 453 REINVENTION OF GOVERNMENT BILL

### DIVISION XIV – AREA EDUCATION AGENCIES

- Creates a task force to study service delivery by the Area Education Agencies (AEA). The report is due to the General Assembly by December 15, 2003.
- Reduces AEA special education support services fund balances by specified amounts but permits the agencies to use unreserved fund balances for media services or education service to best maintain the level of required special education services. The amount of reductions total \$10.0 million. This includes:
  - AEA 1: \$517,000
  - AEA 4: \$222,000
  - AEA 3 and 5: \$996,000 (consolidation taking place)
  - AEA 2, 6, and 7: \$914,000 (consolidation taking place)
  - AEA 9: \$468,000
  - AEA 10: \$964,000
  - AEA 11: \$3.6 million
  - AEA 12: \$513,000
  - AEA 13: \$666,000
  - AEA 14: \$405,000
  - AEA 15: \$413,000
  - AEA 16: \$302,000
- Makes a FY 2004 \$7.5 million appropriation reduction to AEAs permanent for future years.
- Makes an additional \$10.0 million reduction through the combined district cost calculated by the School Aid Formula.

**Fiscal Impact:** The Bill makes reductions for the Area Education Agencies totaling \$20.0 million.

## EXECUTIVE SUMMARY NOTES ON BILLS AND AMENDMENTS

## SENATE FILE 453 REINVENTION OF GOVERNMENT BILL

### DIVISION XV – CHILD WELFARE SYSTEM REDESIGN

- Requires the Department of Human Services (DHS) to implement a system redesign for child welfare services and specifies redesign requirements.
- Requires a Redesign Planning Team be utilized to provide input regarding redesign planning, design, implementation, and evaluation, and establishes a six-member legislative committee to monitor planning and implementation.

**Fiscal Impact:** The Bill reduces the General Fund appropriations to the DHS in HF 667 (FY 2004 Health and Human Services Appropriations Bill) by \$10.0 million. The reduction may be applied to any of the line-item appropriations and are required to be reported to the General Assembly on the date applied.

- Appropriates \$1.2 million from the General Fund to the DHS for training and development of a statewide information system for implementation of changes associated with the redesign.
- Establishes a Provider Loan Fund and deposits \$1.0 million into the Fund from the General Fund to be used to assist child welfare providers with short-term cash flow needs.
- Adds a statutory provision to include a contractor providing child welfare services to be considered an agency for purposes of an investigation by the Office of the Citizens' Aid.

### DIVISION XVI – DHS REINVENTION

- Requires the DHS to develop a plan to implement an electronic billing and payment system for child care and Medical Assistance Program providers to the Governor and the General Assembly by January 1, 2005.

**Fiscal Impact:** The Bill reduces the General Fund appropriations to the DHS in HF 667 (FY 2004 Health and Human Services Appropriations Bill) by \$300,000 to reflect savings from future electronic payment of benefits and billing.

- Requires the DHS to create a Medical Assistance (Medicaid) Program workgroup with representatives of the insurance industry to develop a plan for the redesign of the Medicaid Program. Specifies goals of the redesign plan. Requires a report to the Governor and General Assembly by January 15, 2004.
- Notwithstanding Sections 150 and 151, Chapter 1003, 2002 Iowa Acts, Second Extraordinary Session, that requires excess funds in the Hospital Trust Fund transfer to the Senior Living Trust Fund at the end of FY 2003.

**Fiscal Impact:** The Bill reduces the General Fund appropriation to the DHS for the Medical Assistance (Medicaid) Program in HF 667 (FY 2004 Health and Human Services Appropriations Bill) by \$7.5 million and increases the Hospital Trust Fund appropriation by \$14.0 million.

## EXECUTIVE SUMMARY NOTES ON BILLS AND AMENDMENTS

## SENATE FILE 453 REINVENTION OF GOVERNMENT BILL

### DIVISION XVI – DHS REINVENTION (CONTINUED)

- Provides funding from the State Foundation Formula for the educational programs for children residing at the Independence Mental Health Institute, Eldora State Training School, and Toledo Juvenile Home. The Department of Revenue and Finance will make monthly payments to the DHS for distribution to the institutions. Reductions are made to the institutions' FY 2004 budgets to reflect the change in funding source.
- Eliminates the requirement that Area Education Agency VI (AEA) provide direct educational service to the students at the State Training School and Juvenile Home.

#### **Fiscal Impact:**

- The Bill reduces the General Fund appropriation in HF 667 (FY 2004 Health and Human Services Appropriations Bill) for the Iowa Juvenile Home at Toledo by \$411,000, for the State Training School by \$1.2 million, and for the State Mental Health Institute at Independence by \$544,000, for a total reduction of \$2.2 million.
- The new allocation to the DHS from State Foundation Formula will be \$3.5 million. The elimination of the \$600,000 allocation for the AEA VI to provide services to the students at the State Training School and Juvenile Home makes those funds available for distribution to the school districts. The net effect is an estimated \$2.9 million reduction from the State Foundation Formula for school districts. The reduction does not change the school districts' spending authority, so the reduction may be offset by the districts' cash reserve property tax levies.
- Requires the educational budgets for the State Training School and the Juvenile Home to include funds to access services from AEA VI for FY 2004 in the same manner as accessed in FY 2003.
- Adds a statutory provision for the creation of a Pharmaceutical Settlement Account. Revenues from pharmaceutical settlements relating to the Medical Assistance (Medicaid) Program are to be deposited into the Account. Requires revenues to be used for technology upgrades for the Medicaid Program.
- Appropriates \$1.4 million from the General Fund for the cost of the reinvention initiatives to supplement the \$5.0 million appropriation in HF 655 (FY 2004 Administrative and Regulation Appropriations Bill).

### DIVISION XVII – REINVENTION INVESTMENT



## EXECUTIVE SUMMARY NOTES ON BILLS AND AMENDMENTS

## SENATE FILE 453 REINVENTION OF GOVERNMENT BILL

### DIVISION XVIII – IOWA LOTTERY AUTHORITY

- Creates a new Code of Iowa Chapter for the Iowa Lottery Authority.
  - Changes the existing Iowa Lottery Division within the Department of Revenue and Finance in Chapter 99E, Code of Iowa, to a separate Authority in Chapter 99G, Code of Iowa on September 1, 2003.
  - Provides a Chief Executive Officer of the Authority and specifies duties of the Officer and of the Board of Directors for the Authority.
  - Establishes provisions for personnel, transfers of assets and liabilities, vendors, and retailers.
  - Provides for the proceeds of the lottery, ticket sale requirements, and prize determinations.
  - Authorizes retention of necessary legal counsel for the Authority, law enforcement investigations, and exceptions to the open records statutory provisions.
  - Establishes penalties for fraud and forgery and for competitive bidding practices.
  - Requires the Authority to be self-sustaining and self-funded.
  - Requires specific allocation, appropriation, transfer, fund reporting, and auditing requirements.
  - Makes corresponding statutory changes to reflect the establishment of the Authority and transitional provisions for employees, Board membership, and agreements.
  - Specifies that the independent budget authorization for the Authority begins in FY 2005.

- Transfers \$54.8 million from lottery proceeds to the State General Fund for FY 2004.

**Fiscal Impact:** This Division does not change the budget for the existing Iowa Lottery Division of the Department of Revenue and Finance for FY 2004 provided in HF 655 (FY 2004 Administration and Regulation Appropriations Bill). The Division transfers \$54.8 million from the lottery proceeds to the State General Fund for FY 2004.

### EFFECTIVE DATES

- Specifies that the Property Tax Replacement Division of the Bill takes effect upon enactment.
- Specifies that the Charter Agency Division of the Bill takes effect upon enactment.
- Specifies that the Section within the Department of Human Services Reinvention Division relating to the Hospital Trust Fund appropriation to the Medical Assistance (Medicaid) Program takes effect upon enactment.
- Specifies that the Division creating the Iowa Lottery Authority takes effect September 1, 2003.

# Summary Data

## General Fund

S.F. 453	Senate Action	
	FY 2004	
	(1)	(2)
Administration and Regulation	\$ -20,250,000	0
Education	\$ -19,999,999	0
Health and Human Services	\$ -17,793,959	0
Unassigned Standing	\$ -70,000,000	0
Grand Total	\$ -128,043,958	0
Operations	\$ -44,543,958	
Grants & Aid	\$ -83,500,000	
Grand Total	\$ -128,043,958	

# Administration and Regulation

## General Fund

S.F. 453	Senate Action	Page/
	FY 2004	Line
	(1)	(2)
<b><u>Management, Department of</u></b>		
Reinvention Bill Project Costs	\$ 1,350,000	PG 39 LN 33
Reinvention Bill Charter Agencies Savings	-15,000,000	PG 17 LN 6
Reinvention Bill Charges for Capitals and Regents	-19,600,000	PG 14 LN 11 and LN 27
Reinvention Bill Cities/Counties Innovation Fund	10,000,000	PG 13 LN 15
Reinvention Bill Charter Agencies Loan Fund	3,000,000	PG 22 LN 16
<b>Total Management, Department of</b>	<b>\$ -20,250,000</b>	
<b>Total Administration and Regulation</b>	<b>\$ -20,250,000</b>	
Operations	\$ -23,250,000	
Grants & Aid	\$ 3,000,000	
Grand Total	<b>\$ -20,250,000</b>	

# Education

## General Fund

S.F. 453	Senate Action		Page/
	FY 2004		Line
	(1)		(2)
<u>Education, Department of</u>			
Reinvention Bill Area Education Agencies Savings	\$	-19,999,999	PG 24 LN 34; PG 26 LN 5
Operations	\$	-19,999,999	
Grand Total	\$	-19,999,999	

# Health and Human Services

## General Fund

S.F. 453	Senate Action FY 2004	Page/ Line
	(1)	(2)
<b><u>Human Services, Department of</u></b>		
<b>Medical Services</b>		
Reinvention Bill Medicaid Decrease	\$ -7,500,000	PG 35 LN 14
<b>Child and Family Services</b>		
Reinvention Bill Child Welfare Savings	-10,000,000	PG 31 LN 28
Reinvention Bill Child Welfare Training and Technology	1,200,000	PG 32 LN 20
Reinvention Bill K-12 Funding Savings	-2,193,959	PG 36 LN 4, LN 9, LN 15
Reinvention Bill Child Welfare Provider Loan Fund	1,000,000	PG 32 LN 27
<b>Total Child and Family Services</b>	-9,993,959	
<b>DHS Administration</b>		
Reinvention Bill - DHS Electronic Savings	-300,000	PG 33 LN 14
<b>Total Human Services, Department of</b>	\$ -17,793,959	
<b>Total Health and Human Services</b>	\$ -17,793,959	
Operations	\$ -1,293,959	
Grants & Aid	\$ -16,500,000	
Grand Total	\$ -17,793,959	

# Unassigned Standing

## General Fund

S.F. 453	Senate Action	Page/
	FY 2004	Line
	(1)	(2)
<b><u>Revenue and Finance, Dept. of</u></b>		
Reinvention Bill Local Government Savings	\$ -70,000,000	PG 1 LN 1 through PG 4 LN 19
Grants & Aid	<u>\$ -70,000,000</u>	
Grand Total	<u><u>\$ -70,000,000</u></u>	

# Summary Data

## Non General Fund

S.F. 453	Senate Action	Page/
	FY 2004	Line
	(1)	(2)
Health and Human Services	\$ 14,000,000	0
Grand Total	\$ 14,000,000	0
Grants & Aid	\$ 14,000,000	
Grand Total	\$ 14,000,000	

# Health and Human Services

## Non General Fund

S.F. 453	Senate Action	Page/
	FY 2004	Line
	(1)	(2)
<b><u>Human Services, Department of</u></b>		
Reinvention Bill Hospital Trust Fund to Medicaid	\$ 14,000,000	PG 35 LN 27
Grants & Aid	\$ 14,000,000	
Grand Total	\$ 14,000,000	